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Tens of Thousands Will Lose College Aid, Report Says

By GREG WINTER

The first report to document the impact of the government's new formula for financial aid has found that it will reduce the nation's largest grant program by \$270 million and bar 84,000 college students from receiving any award at all.

The report, by the Congressional Research Service, the research arm of Congress, does not calculate the full effect of the changes, since it does not consider the further cuts in student awards that will probably occur once the new formula is applied to billions of dollars in state awards and university grants.

But it does settle some uncertainty over the initial consequences of altering the intricate federal formula that governs the vast majority of the nation's financial aid.

Word of the changes has kindled a small storm in Washington in the last month. Members of Congress have put forward legislation in hopes of either gauging the toll of the new formula or stopping it; they have characterized the change as a way to cut education spending without facing the public.

"The department is wrong to turn its back on students and families," said Senator Edward M. Kennedy, Democrat of Massachusetts. "They need more financial aid for college, not less."

The Department of Education has cited its obligation under federal law to revise the formula and played down the impact. Sally L. Stroup, its assistant secretary for postsecondary education, told The Washington Post last month that "the changes will have a minimal impact on a handful of students."

The figures cited in the report made clear, however, that the new formula would trim the government's primary award program, the Pell grant, by \$270 million once it takes effect in the 2004-5 academic year. That amount, financial aid experts said, probably means that hundreds of thousands of students will end up getting smaller Pell grants, not counting the

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84,000 who it is estimated will no longer qualify.

"It's pretty hard to call several hundred thousand students a handful," said Brian K. Fitzgerald, director of the Advisory Committee on Student Financial Assistance, which was created by Congress to advise it on higher education. He estimated that more than one million students could receive smaller Pell grants because of the new formula.

"It doesn't stop there," Mr. Fitzgerald added. "It will have a ripple effect through all the other financial aid programs — state grants, loans and institutional dollars. The cumulative effect could be much larger."

The department does not argue with the report's numbers — in fact, it provided them — but notes that government spending on education will continue to rise. Because of the swell in college-age students, and the rising popularity of higher education among low-income families, about 300,000 more people will receive Pell grants by 2004 than do now.

"You're still going to have more money out there," said Jeff Andrade, deputy assistant secretary for higher education, adding that Pell grant costs could rise by more than \$1 billion by 2004, even though many students will get smaller awards and others will not qualify at all.

Whether it comes from states, universities or the federal government itself, the bulk of financial aid is dictated by a single formula that determines how much of a family's income is discretionary, and thus available for college expenses.

Just as with income tax, families can deduct some of what they spend on state and local taxes. The deductions vary by state but this year, with few exceptions, the department reduced the amounts, sometimes cutting them in half or more. Because of that, families will often appear to have larger incomes, at least on paper, and will thus be expected to contribute more toward their students' college educations.

"Our students could lose close to \$6 million," said George Chin, director of financial aid for the City University of New York, where 36 percent of students receive Pell grants. "It's a lot of money, and it comes at a bad time, when the students can least afford it."

Though few doubt the department's authority to change the state tax tables, critics in Congress question why it chose to do so now, after nearly a decade of leaving them untouched and at a time when state taxes are going up, not down.

Beyond that, tuitions are rising and the economy is strained. Senator Jon Corzine, Democrat of New Jersey, called it an inconceivable time to enact the changes.

The department says it followed the same procedures as previous administrations, drawing its data from the Internal Revenue Service.



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